



TAX Information

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New tax rates to take effect April 1, 2009

Voters in cities and counties throughout California have approved new transactions (sales) and use taxes that go into effect on April 1, 2009. Some taxes apply to an entire county and some apply only within city limits. The new approved tax districts and their April 1st tax rates are at the end of this article. During the election the county of Los Angeles voted in a new district tax. The county of Los Angeles tax increase will not take effect until July 1, 2009; therefore, it is not shown in the following chart. The county of Santa Clara also approved a district tax increase; however, this tax will not be collected until an agreement is reached with the federal government. The BOE has mailed you a special notice describing the new voter approved district tax. The notice provides information on how district tax applies to your sales and purchases. You can find the notice online at www.boe.ca.gov/news/specialnotices.htm or call our Taxpayer Information Section to have a copy faxed or mailed to you. For more information on district taxes, see our [publication 44, District Taxes](#). And if you ship into or out of a taxing district, you may also want to obtain a copy of [publication 105, District Taxes and Delivered Sales](#). You can download or order a copy of the publications from our website or call our Taxpayer Information Section.

New city tax rates effective 4/1/09

City	County	New Tax Rate
Arcata (ARGF/195)	Humboldt	8.00%
Arvin (ARVN/198)	Kern	8.25%
Campbell (CMPL/212)	Santa Clara	8.50%
El Cajon (ECGF/208)	San Diego	8.75%
El Monte (EMGF/200)	Los Angeles	8.75%
Eureka (ERKA/197)	Humboldt	7.50%
Galt (GLTS/206)	Sacramento	8.25%
La Habra (LHBR/204)	Orange	8.25%
La Mesa (LMSA/210)	San Diego	8.50%
Oxnard (OXND/213)	Ventura	7.75%
Pico Rivera (PCRV/202)	Los Angeles	9.25%
Port Hueneme (PTHN/214)	Ventura	7.75%
Scotts Valley (SVGF/216)	Santa Cruz	8.25%***
Trinidad (TRGF/196)	Humboldt	8.00%

***The City of Scotts Valley Transactions and Use Tax rate will decrease to 0.25% from 0.50% thereby changing its total tax rate to 8.25% from 8.50%. Please note the new code and acronym above.

New county tax rates and their affected cities new rates 4/1/09

Amador County (AMCG/194)	7.75%
Marin County (SMRT/187)	8.00%
City of San Rafael (RFEL/192)	8.50%
Sonoma County (SMRT/191)	8.00%
City of Sebastopol (SEBG/188)	8.25%
City of Santa Rosa (SRPS/189)	8.25%

Review your Internet purchases to determine if you owe use tax

You may owe use tax on Internet purchases if the seller is located outside California. Shoppers can often find bargains online, but may not realize the use tax liability they have incurred. Due in part to the large budget deficit, California has increased its use tax collection efforts. Penalty and interest charges may be due if this tax is not paid by purchasers in a timely manner.

What is use tax?

The purchaser of an item from an out-of-state retailer owes use tax on that item unless the tax was paid at the time of purchase to a retailer registered with the BOE. Use tax is due if the purchaser uses, gives away, or consumes the item in California unless the item purchased is specifically exempt or excluded by law from tax. The use tax rate for any location is the same as the sales tax rate.

Do you know about the tax gap?

The tax gap is the difference between the tax owed and the amount paid. The BOE is increasing its efforts to reduce the tax gap. A significant part of the tax gap is the result of Internet transactions that involve out-of-state sellers and in-state purchasers, neither of whom is required to register with the BOE. U.S. Supreme Court rulings have prevented states from requiring businesses to collect sales or use tax unless the business has a physical presence in the state, or is otherwise legally engaged in business in that state.

Have you heard of the Internet Tax Freedom Act?

Some consumers have the mistaken belief that purchases made on the Internet are not subject to tax because of the Internet Tax Freedom Act. This 1998 law placed a moratorium on charging taxes on Internet access fees. It does not provide an exemption from tax for purchases made on the Internet.

How do I report and pay the use tax?

Examine your purchase invoices from out-of-state retailers to make sure the retailer collected California use tax and the amount collected was correct. California's income tax returns include a line to report and pay use tax for individuals and businesses not required to have a seller's permit. You can also report and pay use tax by completing the use tax return included in [publication 79-B, California Use Tax](#). For more information, please review [publication 123, California Businesses: How to Identify California Use Tax Due](#). Special rules apply to use tax due on purchases of vehicles, vessels, and aircraft.

In-State Voluntary Disclosure

Effective January 1, 2009, the In-State Voluntary Disclosure Program provides additional benefits to California purchasers who are not required to hold a seller's permit, but have a use tax liability. Benefits include:

- Limits the time the BOE can make an assessment for prior taxes to three years. (Without this provision, the applicable statutory period could be as long as ten years.)
- Allows the BOE to waive late filing and late payment penalties.

To qualify, all the following conditions must be met:

- Reside or are located within California, and have not previously registered with the BOE;
- Have not previously filed an Individual Use Tax Return with the BOE;
- Have not reported an amount for use tax on your Individual Income Tax Return with the Franchise Tax Board;
- Are not engaged in business in this state as a retailer;
- Have not been contacted by the BOE for failure to report use tax;
- The purchase is not of a vehicle, vessel, or aircraft; and
- The person or business voluntarily comes forward to the BOE.

Once a person or business is contacted by the BOE regarding an unpaid use tax liability, that person or business is no longer eligible for participation in the program and will not benefit from the three-year statute of limitations and a waiver of penalties.

To apply, submit all of the following documents to your nearest [BOE office](#): [BOE-38-I, Application for In-State Voluntary Disclosure](#), [BOE-735, Request for Relief from Penalty](#), and [BOE-400-CSU, California Consumer Use Tax Account Application](#). To obtain these forms or for more information, please visit our website at www.boe.ca.gov or phone our Taxpayer Information Section at 800-400-7115.

When is labor taxable?

Many people mistakenly believe there is a general exemption for all labor charges. Sales tax does not apply to installation labor, labor charges related to nontaxable sales or itemized charges for repair labor. However, in California some labor charges are taxable such as fabrication labor or other labor charges related to taxable sales.

Fabrication is labor for assembling, creating, or producing a product. Fabrication labor is generally taxable whether you itemize labor charges or include them in the price

of your product. This is true whether you supply the materials or your customers supply the materials for fabrication. Modifying an item is also considered fabrication labor.

Examples of fabrication labor include:

- Assembling a customer's new bicycle.
- Altering a new suit or hemming a new pair of pants.
- Modifying a customer's mold or cutting die so that it will produce a new and different item.
- Engraving and sizing a ring you are selling to a customer.

Charges for services related to a taxable sale are generally taxable whether you itemize the charges or include them in the price of the product. For example, an itemized "trip charge" you make related to a taxable sale.

If you have questions on how tax applies to a specific transaction, please visit our website or call our Taxpayer Information Section at 800-400-7115.

Dietary supplements provided by physicians

[Regulation 1602, Food Products](#), and [Regulation 1591, Medicines and Medical Devices](#), have been revised. The revisions clarify that when dietary supplements are not "food products," they can be considered "medicines." This applies when supplements (provided by a physician to his or her own patient) are part of a medically supervised weight loss program to treat obesity.

The revisions apply to dietary supplement or adjunct (additive) products that are in liquid, powdered, granular, tablet, capsule, lozenge, or pill form and are:

- Described on their package or label as a food supplement, food adjunct, dietary supplement, or dietary adjunct, or
- Prescribed or designed to remedy specific dietary deficiencies or to increase or decrease one or more of the following areas of human nutrition: (1) vitamins (2) proteins (3) minerals (4) caloric intake.

If the supplement does not qualify as a complete dietary food under Regulation 1602, it is subject to tax. However, the sale will not be taxable if the supplement is furnished by a physician to his or her own patient as part of a medically supervised weight loss program to treat obesity. For more information, please visit our website or call our Taxpayer Information Section.

Are you properly reporting the number of employees on your Environmental Fee Return?

The environmental fee applies to organizations that have 50 or more employees in the State of California. The fee is graduated based on the number of employees employed 500 hours or more during the course of the calendar year. Any employee employed 500 hours or more at any point during the calendar year is a qualifying employee for purposes of the environmental fee. When totaling the number of qualifying employees, it is important to look at all employees for the entire calendar year. Part-time, temporary employees and high turnover are commonly overlooked, but should be included. Hours for which an employee is paid when they are absent due to vacation, illness, or holidays should also be included.

After you have calculated the number of qualifying employees, you can select the appropriate category of employees on the [BOE-501-EF, Environmental Fee Return](#). The environmental fee returns are due the last day of February for the previous calendar year.

If you would like to learn more about the Environmental Fee, please visit our website, www.boe.ca.gov/sptaxprog/envirofee.htm or contact the Environmental Fees Division at 800-400-7115.

GeoTax—free sales and use tax rate locator

The BOE's website now includes a link www.geotax.com to a free sales and use tax rate locator that allows any person to determine tax rates based on address. We are providing this site as a service to taxpayers and consumers who are trying to obtain the tax rate for any address in the state.

We provide the GeoTax link only as a public service and do not maintain the website. The BOE is not responsible for the content or accuracy of the information shown on that site. Problems or suggestions concerning the information on geotax.com should be sent to Group 1 Software at www.geotax.com. Also, please contact the BOE webmaster at www.boe.ca.gov/info/webmail.html if you experience any difficulties with the link to geotax.com.

Additionally, some cities have developed a database of addresses to help retailers and consumers in identifying addresses located within special taxing jurisdictions for district tax rates. In cooperation with these cities, we are providing links to their address databases located on our website at www.boe.ca.gov/sutax/pam71.htm. If you have questions about the addresses, contact the cities directly.

Your foreign consular customer could be tax exempt

What is the Diplomatic Tax Exemption Program?

The U.S. Department of State's Office of Foreign Missions (OFM) administers tax exemption privileges to eligible foreign government offices, and diplomatic or consular personnel on assignment in the United States. The OFM issues two types of tax exemption cards: Mission Tax Exemption Cards and Personal Tax Exemption Cards. These cards are valid nationwide and in the Commonwealth of Puerto Rico, Guam and the U.S. Virgin Islands.

How does the program work?

Tax exemption cards are used to claim tax exemption from state sales tax, lodging/occupancy tax, and other similar taxes charged to customers. The tax exemption card does not authorize tax exemption for utilities, gasoline, and vehicle purchases. For these types of sales, contact the OFM for additional verification.

Personal Tax Exemption Cards can be used only by foreign consular officers, employees, or members of their families who have been identified by the U.S. Department of State as exempt. Mission Tax Exemption Cards are used only for official purchases by a foreign consulate. The person whose name and photo appears on a mission card does not need to be present for the mission's official purchases. Always check the back of the tax exemption card for specific restrictions.

How do you document a diplomatic tax exemption sale?

For each transaction, the vendor must retain a copy of the front and back of the tax exemption card, and attach it to the receipt or invoice for their files.

For more information on the diplomatic tax exemption program, visit the OFM website at www.state.gov/ofm or contact the OFM. For Northern California, contact the San Francisco regional office at 415-744-2910, for Southern California contact the Los Angeles regional office at 310-235-6292.

Take the plunge and begin eFiling today

Are you one of the thousands of taxpayers experiencing the benefits of electronic filing (eFiling)? Efilng is the fastest, easiest and most accurate way to file and pay your sales and use tax return and make payment. Nearly all sales and use tax accounts are already eligible and many have already taken the plunge. Here's what they're saying:

"I just want to say THANK YOU again and again and again for how quickly and easily you made the sales tax eFile program!"

"I can't tell you how you've simplified my life!"

"I was truly impressed with your eFile system."

"I cannot thank you enough, GREAT JOB! A work of art."

Join these and thousands of other taxpayers and begin eFiling with your next return! Start by visiting our website at www.boe.ca.gov and click on the eFile logo.

Civil behavior in trying times

Some observers have noted that civility is decreasing in our society as our lives become more complex. We know that you may find yourself frustrated with the difficulties of the tax law or pressed for time when dealing with our staff. Still, we ask that you treat our employees just as you would like to be treated in a business situation. Any statement or gesture made to a BOE employee that seems remotely like a threat—even a statement made in jest—will be referred to our Internal Security and Audit Division for investigation.

More articles available online!

For this issue, we have two additional articles available online at www.boe.ca.gov/news/tib09.htm. They are:

- New or revised reference material
- Small Business Fairs

For More Information

All telephone numbers are toll-free.

Internet

www.boe.ca.gov
www.taxes.ca.gov

Taxpayer Information Section

800-400-7115
 TDD/TTY: 800-735-2929

Requests for Fax Copies

800-400-7115
 (Choose automated services)

Seller's Permit Verification

888-225-5263
www.boe.ca.gov

Taxpayers' Rights Advocate

888-324-2798
www.boe.ca.gov

Tax Evasion Hotline

888-334-3300

State Legislation

www.leginfo.ca.gov/bilinfo.html

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